

Sustainable PVT (S-PVT) Investment Framework

Investment Philosophy: PVT

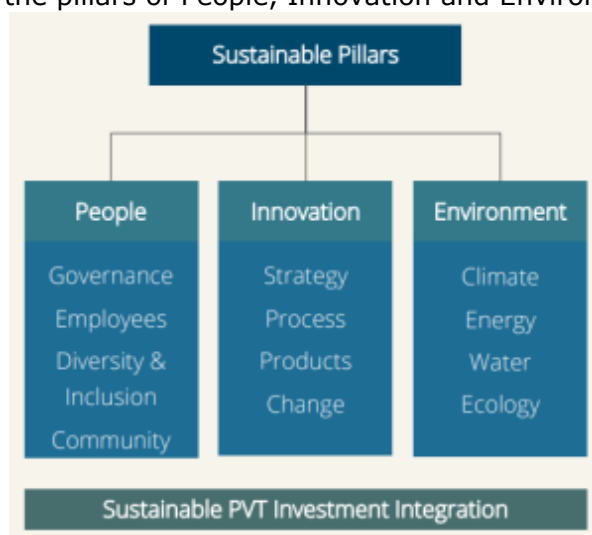
We select investments based on our assessment of a company's ability to generate absolute and relative returns for investors. We target three factors:

1. Potential – businesses which can grow profits and cash flow
2. Valuation – businesses with a clear valuation anomaly
3. Timing – businesses where positive trends have already emerged

Our bottom-up stock selection combines our proprietary quant screen with research from our analysts and fund managers. Our PVT Investment Philosophy has been in place since 2006.

Sustainable PVT

We have since extended this framework to create Sustainable-PVT (S-PVT) when reviewing a company's sustainable credentials. Through the S-PVT framework, we evaluate sustainability through the pillars of People, Innovation and Environment.



The following Sustainable PVT (S-PVT) pillars are considered as part of the investment decision-making process:

People

Sustainability depends on a company's ability to create value for all stakeholders through having high levels of trust and cooperation between employees, customers and the wider community it serves. Companies that install best practice governance, adhere to regulation, treat people equally, respect human rights and incorporate cognitive diversity (to avoid group think) and become better companies as a result.

Innovation

A sustainable business requires constant innovation to respond to changes in market fundamentals, the environment and society. This is imperative for compounding long-term value, for the benefit of all stakeholders. We take a broad view of innovation, which we believe encapsulates changes in strategy, process and product. This is applicable in times of success, where companies have the financial strength to reinvest, as well as in times of change, where businesses need to evolve when faced with challenge and opportunity.

Environment

A sustainable company creates value for all stakeholders without causing undue harm to the environment, or compromising the ability of future generations to avoid doing so. Acting in an environmentally responsible manner presents both costs and opportunities; this enables management to champion best-in-class, and improve substandard working

practices. The goal is for management to deliver effective company strategy with proper consideration for its natural surroundings and to manage their impact on the environment in support of the transition to a low carbon economy.

Currently we utilise an internal scoring system, based on a qualitative assessment of risks and opportunities, to categorise companies into four tiers. An S-PVT tier score will be applied within a maximum of 4 weeks following investment.

- S1: a sustainable leader in its field and/or a clear beneficiary of sustainability trends.
- S2: solid S-PVT credentials and no clear impediment to value creation or share price performance.
- S3: S-PVT improvement required, but evidence this has started and / or engagement potential.
- S4: S-PVT a clear barrier to value creation, no evidence of improvement and / or low likelihood of engagement success (including failed attempts).

S1 – S3 classified stocks are all considered eligible for investment. Should a stock be classified as S4, we will divest at the next available opportunity, subject to market and liquidity constraints.